



Farm Products Council  
of Canada

Conseil des produits agricoles  
du Canada

# 2013-2014

## ANNUAL REPORT



FARM PRODUCTS COUNCIL OF CANADA

Canada

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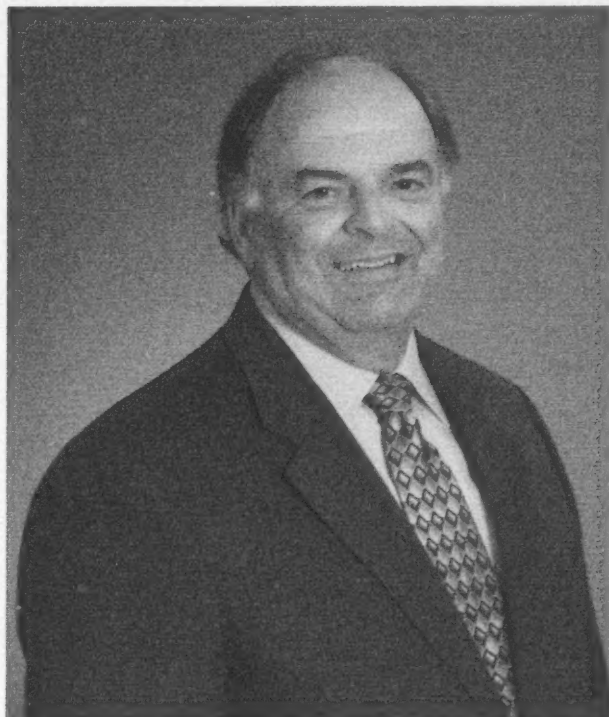
Cat. No. A99-2/2013

ISSN: 1926-2183

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# A Message from the Chairman



Fiscal year 2013–2014 was an eventful period for the Farm Products Council of Canada (FPCC) and one that saw important changes in Council membership.

I would like to acknowledge the departures of Phil Klassen and Ed de Jong, who completed their terms as members of the FPCC in March and June of 2013, respectively. Phil, a former director of the Dairy Farmers of Saskatchewan, and Ed, who among his many agriculture-related positions was a former chair of the Canadian Hatching Egg Producers, contributed substantially to the FPCC through their experienced perspectives of the agri-food sector, reasoned interventions, and dedication to continued improvement of the supply management system.

It was my great pleasure to welcome two new members to the FPCC fold: Mike Pickard, who has owned a chicken farm in Wynyard, Saskatchewan, for many years; and Deborah Etsell, who produces turkey and wine grapes in Abbotsford, British Columbia. Debbie is the current Executive Director of the British Columbia Blueberry Council, while Mike has served as a director of both the Canadian Federation of Agriculture and the Chicken Farmers of Canada.

For my part, I was pleased to be reappointed Council Chairman and Deputy Head of the FPCC this past November. I take the reappointment as confirmation of Minister Ritz's confidence in the FPCC's strategic directions and as an encouragement of our focus on targeted improvements to the supply management system to ensure its efficiency and continuing relevance to producers, processors and consumers.

Changes over the course of the year were not confined to Council membership. Like other



agencies and departments across the federal civil service, the FPCC continued to renew and transform its business processes through cost-reduction measures and initiatives to improve efficiency. Under the Government of Canada's deficit reduction action plan, FPCC was subject to reductions in both financial and human resources in 2013–2014. This allowed FPCC to strengthen itself from within, for instance by confirming Nathalie Vanasse as Director of Council Operations and Communications.

At the same time, the FPCC was called upon to safeguard the efficiency and competitiveness of Canada's supply-managed industries based on appropriate allocation-setting mechanisms and cost of production models. Regarding the former, the FPCC worked to foster better coordination among industry stakeholders and supervisory agencies in setting allocations that take greater account of comparative advantage of production.

Helping stakeholders to devise mutually agreeable approaches to allocation setting is an ongoing undertaking for the FPCC and one of increasing complexity. When agreement falters, as it did with Alberta's notice of withdrawal from the Federal-Provincial Agreement on chicken in November 2012, the FPCC applies itself to recreating the necessary consensus for the full participation of all stakeholders. Over the last year, an important step in this direction was the development by the FPCC of new guidelines for effectively determining allocations based on each province's relative advantages and competitive strengths.

The FPCC also developed a set of guidelines to assist national agencies in assessing their costs of production. These guidelines established criteria that must be met for the FPCC to be satisfied

that agencies' surveys and calculations reflect both producers' costs and a reasonable return on their investment.

The FPCC consistently emphasized the need to standardize and regularly upgrade agencies' assessment and reporting practices to maintain public confidence in a system that is subject to change in order to remain relevant. Agencies must be able to explain how the system works and demonstrate that it is operating in a transparent and responsible manner.

The supply management system is a public policy that aims to, among other things, create stability and predictability within industries. However, supply management is not just about maintaining the status quo or increasing production to match population growth; it is about constantly improving the performance of the system so that producers, processors, further processors and consumers reap the benefits of orderly marketing. For instance, in 2013–2014 the FPCC continued to encourage the Egg Farmers of Canada to bolster the financial sustainability of the Industrial Product Program as markets for processed products based on industrial eggs continued to expand.

This commitment to improvement is very much a part of the FPCC's business objectives as illustrated by its response to a proposal by the Pullet Growers of Canada to establish a Canadian Pullet Marketing Agency. This request—the first in almost two decades—required the FPCC to renew and modernize the process for holding public hearings into the merits of establishing new national marketing agencies or promotion and research agencies (PRAs).

Under the *Farm Products Agencies Act*, when a producer group submits a proposal the FPCC is required to hold public hearings. For the Pullet Growers' proposal, the FPCC held two public hearings with sittings in Ottawa and Winnipeg, to receive input from industry stakeholders. Based on the findings from these hearings, an official report and a recommendation were provided to the Minister of Agriculture and Agri-Food.

Similarly, in 2013 the FPCC received applications from producer associations for the establishment of PRAs for raspberries and strawberries. These were the first such requests processed by the FPCC since the hearing to establish the PRA for beef in 2000. Public hearings on the raspberry application were held in Abbotsford and Ottawa while preparations continued apace until the end of 2013–2014 for hearings into the strawberry proposal. Here too, the FPCC had to develop new processes for managing these formal requests, to conform to current regulatory and operational requirements and meet evolving governance standards.

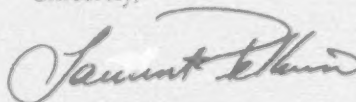
This concern for transparency and accountability in governance is consistent with the broad objectives of the government. It stems from the FPCC's *2012–2015 Strategic Plan*, under which the FPCC has committed to ensuring that agencies established under Part II and Part III of the *Farm Products Agencies Act* remain transparent, have the flexibility to respond to current and future challenges, and demonstrate an ability to manage their activities in a manner that can withstand public scrutiny. I remain convinced that this is how we must continue to collaborate and strengthen our industries: by maintaining our focus on increasing transparency in our diverse operations and decision-making processes.

To that end, in 2013–2014, FPCC leadership sought to increase its contacts and engage all stakeholders in the system, from individual producers to agency executive boards, supervisory boards and provincial government representatives, with a view to building a mutual understanding of our responsibilities and heightened cooperation, coordination, and efficiency.

As I have emphasized before, supply management is not a right, but a privilege. All parties in the system, from individual producers to the FPCC itself, must continue to collaborate to ensure ever greater diligence, transparency and responsibility in the conduct of their work and decision-making. These are the standards to which I hold FPCC senior management and staff, and which we as Council members seek to exemplify.

The FPCC remains committed to working with its partners within industry and across governments and with all stakeholders within the supply management and promotion-research systems. I am positive that, by doing so, we can build systems that are ever more in the public interest and ever more adaptable to changing conditions.

Sincerely,



**Laurent Pellerin**  
Chairman

# Bringing Good Management to Market



The Farm Products Council of Canada (FPCC) helps to ensure that all Canadians have affordable and continuous access to the foods they need while maintaining fair market prices for farmers.

FPCC is a unique public interest oversight body that reports to the Parliament of Canada through the Minister of Agriculture and Agri-Food. It oversees the national supply management system for poultry and eggs, and supervises the activities of national promotion and research agencies for farm products.

FPCC administers two federal laws, the *Farm Products Agencies Act* (FPAA) and the *Agricultural Products Marketing Act* (APMA). The FPAA provides for the creation and oversight of national marketing

agencies, which are not subject to the *Competition Act*, as well as for promotion and research agencies. The APMA provides for delegation of federal authorities over interprovincial and export trade to provincial commodity boards.

The FPCC provides the Minister with advice and recommendations, collaborates with provincial supervisory boards, and works with other federal organizations.



# FPCC Profile



## Mission

The FPCC's mission is to work with its partners to ensure that the supply management and promotion-research systems have the flexibility needed to respond to current and future challenges in a flexible, accountable and transparent manner.

## Vision

Council is recognized by its partners for its contribution to transparent and efficient supply management and promotion-research systems.

## Values

**Collaboration:** Council is committed to working constructively with its partners in a manner that is reflective of the spirit in which the supply management and promotion-research systems were created.

**Innovation:** Council is committed to fostering innovative thinking so that the supply management and promotion-research systems continuously improve their efficiency and have the flexibility needed to address current and future challenges.

**Fairness and Respect:** Council is committed to conducting its operations in a manner that recognizes the contribution and respective jurisdictions of all its partners within the supply management and promotion-research systems and to operating without bias or favouritism.

**Transparency:** Council is committed to conducting its operations in an open and transparent manner and to fostering this throughout the supply management and promotion-research systems.

## Duties, Powers and Responsibilities

The FPCC's duties, powers and responsibilities are defined in the FPAA as follows:

- advise the Minister on all matters relating to the establishment and operation of agencies under the FPAA with a view to maintaining and promoting efficient and competitive industries;
- review the agencies' operations with a view to ensuring that they carry them on according to their objects;
- approve quota regulations and levies orders, licensing regulations and certain by-law provisions;
- work with agencies in promoting more effective marketing of farm products
- collaborate and maintain relationships with supervisory boards and the governments of all provinces and territories in matters related to the operations of the national agencies, as well as when new agencies are proposed;



- investigate and take action, within its powers, on any complaints related to national agency decisions, and;
- hold public hearings when necessary, such as when new agencies are proposed.

The FPCC is also responsible for ensuring that the national agencies meet the requirements of the *Statutory Instruments Act*. In addition, it has been tasked with administering the APMA. This Act allows the federal government to delegate its authorities over interprovincial and export trade to provincial commodity boards on a wide range of farm products.

Beyond these responsibilities, the Chairman is also responsible for the administration of the FPCC, as Deputy Head of this public interest oversight body operating within the federal government. The FPCC's Chairman is guided in this regard by a set of government statutes, policies and procedures that must be followed. The Chairman ensures due process in all of the FPCC's operational activities and maintains relationships with several key government departments and central agencies, such as the Treasury Board of Canada Secretariat, the Privy Council Office, the Department of Justice, the Office of the Auditor General of Canada, and the Public Service Commission of Canada.

The FPCC's Chairman also works closely with heads of provincial supervisory boards across the country. He participates in their coordinating body, the National Association of Agri-Food Supervisory Agencies, makes presentations at provincial meetings, and engages provincial government counterparts

in advancing the supply managed sectors and their issues.

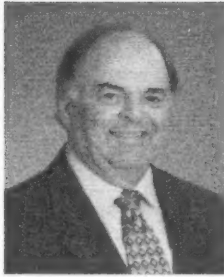
Within this framework, the Minister of Agriculture and Agri-Food provides the Chairman with a written mandate directing the work to be done and his expectations for the FPCC.

In carrying out its responsibilities, the FPCC, through its Chairman, Council members and FPCC management, works on its role of oversight of national agencies, complaints and public hearings. The Chairman and staff also maintain relationships with federal and provincial bodies and ensure that the FPCC meets federal government requirements relating to performance and financial matters. Ultimately, the FPCC is accountable to the Minister, Parliament and to Canadians.

# FPCC Governance

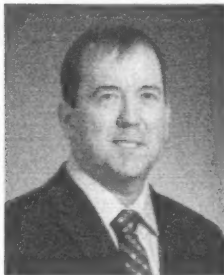


The FPCC is composed of at least three members, and may have up to six. At least half of those members must be primary producers at the time of their appointment. Members are appointed by Cabinet for terms of varying length. The Chairman is the only full-time Council member.



**Laurent Pellerin**, Chairman, has been a hog and cereal producer in Bécancour, since 1972. In addition to holding a Bachelor's degree in group management, he has been president of the Canadian Federation of Agriculture (2008–2010), the Union des

producteurs agricoles (1993–2007), the Fédération des producteurs de porcs du Québec (1985–1993), and Agricord, a network of agricultural associations dedicated to international development. In 2005, he was awarded the *Ordre National du Québec* in recognition of his contributions to agriculture.



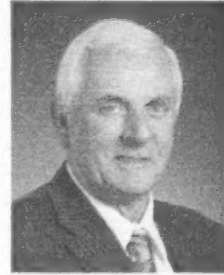
**John Griffin**, member, has since 2000 been President of W.P. Griffin Inc., a family-owned and operated farming business in Elmsdale, Prince Edward Island. The enterprise is organized into two divisions: the farming operation, which grows potatoes, grain and

hay; and the potato packaging operation, which specializes in food services, consumer packs, and ready-to-serve BBQ and microwave-ready potatoes. Mr. Griffin is also on the Board of the World Potato Congress.



**Brent Montgomery**, Vice-Chairman, owns a turkey farm in Saint-Gabriel-de-Valcartier, Quebec, in partnership with his brother and is co-owner of a turkey hatchery in Loretteville, Quebec. He has occupied numerous positions in the agricultural field, including

that of Chair of the Turkey Farmers of Canada from 2003 to 2007. Also a former teacher and school principal, Mr. Montgomery has been Mayor of the Municipality of Saint-Gabriel-de-Valcartier since 1988.



**Ed De Jong**, member, owns a broiler breeder and dairy cow operation in Abbotsford, British Columbia. Mr. De Jong has held numerous agriculture-related positions, including those of Delegate to the B.C. Federation of Agriculture, Director and Chair of the

Canadian Hatching Egg Producers.



*Mike Pickard*, member, has owned a chicken farm in Wynyard, Saskatchewan, for over 25 years. In 2004, his farm received the Saskatchewan Broiler Producer of the Year award. Mr. Pickard developed his passion for farming by spending the summers on

his uncle's potato farm in New Brunswick, and acquired his agriculture experience from his father, a third-generation farmer. Formerly, he served as director with the Canadian Federation of Agriculture (2011–2012) and with the Chicken Farmers of Saskatchewan (2007–2013), as well as with the Chicken Farmers of Canada (CFC) from 2008 to 2013.



*Debbie Etsell*, member, has been in the agriculture industry for approximately 25 years. Ms. Etsell is a director with Coligny Hill Farms Ltd., an Abbotsford, British Columbia, farm where she, along with her husband and two sons, currently produces

turkeys, hay and wine grapes. Ms. Etsell's passion for agriculture has also led her to work with various farm organizations. She has been with the BC Blueberry Council since 2007 and is currently its Executive Director. Ms. Etsell has also worked for the BC Agriculture Council and the Raspberry Industry Development Council in B.C.



*Tim O'Connor*, member, obtained an Associate Diploma in Agriculture from the University of Guelph in 1982. Mr. O'Connor has a successful, balanced career in agriculture, as a broiler chicken farmer, and real estate, while also serving in various associations, including

the Ontario County Holstein Club and the Durham West 4-H Association.



## FPCC staff



*Back row from left to right: Maguessa Morel-Laforce, Marc Chamaillard, Mike Iwaskow, Joanne Forget-Chayko, Bill Edwardson, Lisette Wathier, Laurent Pellerin, Thomas Bergbusch, Lise Turcotte, Nancy Fournier, Chantal Turcotte and Nathalie Vanasse. Front row from left to right: Mélanie Pruneau, Chantal Lafontaine, Lise Leduc, Dominique Levesque, Hélène Devost, Reg Milne and Pierre Bigras.*

# Monitoring Activities of Agencies

## Regulatory Framework

Part II of the FPAA provides that the Governor in Council (GIC) may, by proclamation, establish an agency where it is satisfied that a majority of producers in Canada favour such action. A proclamation is a federal regulation that outlines how the agency is to be constituted (i.e., membership, means of appointment, location of the agency's head office, etc.).

The marketing plan, which the agency is authorized to implement, is set out in a schedule to the proclamation. Typically, the marketing plan would describe the quota, licensing and levy systems to be implemented, provisions for review of the marketing plan, and other general items specific to the regulated commodity in question.

The FPAA allows the Minister of Agriculture and Agri-Food, with GIC (Cabinet) approval, to enter into an agreement with any province or territory so that an agency can perform functions on behalf of that province (i.e., receive delegated authority from a province). This is known as a Federal-Provincial Agreement (FPA).<sup>1</sup> In addition, most provincial legislation requires an agreement to delegate authority from the national agency to the provincial commodity boards.

An FPA typically has schedules attached, including the proclamation and national

marketing plan, provincial marketing plans and the original proposal used during the public hearing process.

Signatories to an FPA include the federal and provincial ministers of agriculture, the FPCC (for eggs and turkey), provincial supervisory bodies, provincial commodity boards and, for all but turkey, the national agency. In Alberta and Quebec, the Ministers of Intergovernmental Affairs are also signatories.

Legally, the FPAA is subordinate to the Constitution, the proclamation and marketing plan are subordinate to the FPAA, and agency orders and regulations are subordinate to the proclamation and marketing plan. Subordinate legal instruments cannot exceed the authority of a superior instrument. For example, an agency cannot derive authority from an FPA that has not been specified in its proclamation.

## *The FPAA and Powers of National Marketing Agencies*

The objects of an agency, as set out in section 21 of the FPAA, are as follows:

- a) to promote a strong efficient and competitive production and marketing industry, and;
- b) to have due regard to the interest of producers and consumers.

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<sup>1</sup> The Northwest Territories is a member only of the Egg Farmers of Canada (EFC); the EFC agreement is accordingly referred to as the Federal-Provincial-Territorial Agreement.

In the pursuit of these goals, agencies are vested, through their proclamations, with the powers set out in section 22 of the FPAA. Examples of powers:

- to undertake and assist in the promotion of the consumption of the regulated product;
- to advertise, promote and do research into new markets;
- to set production quotas and collect levies;
- to purchase, lease or otherwise acquire and hold a mortgage of a property, and;
- to invest any money in its possession in securities that are guaranteed by the Government of Canada.

Under section 27 of the FPAA, the agency has an obligation to conduct its operations on a self-sustaining financial basis. Section 29 provides that the accounts and financial transactions of each agency are to be audited annually by an auditor appointed by the GIC and a report made to the agency, Council and the Minister of Agriculture and Agri-Food. Pursuant to section 30 of the FPAA, each agency is also required to submit an annual report to Council and the Minister. Section 32 of the FPAA provides that any contract, agreement or other arrangement between an agency and any person engaged in the production or marketing of the regulated product is exempt from the *Competition Act*.

The agencies establish, enact and implement regulations for various purposes including setting quota allocations and collecting levies. It is within those designated areas that direct Council involvement is necessary since an agency requires statutory authority to implement the terms of its marketing plan.

Each time an agency requests an amendment to an order or regulation, Council members must review the rationale for the amendment. This includes market and financial statistics as well as the agency's budget.

When approving an agency order or regulation, Council must be satisfied that the order or regulation is both in accordance with and necessary for the implementation of the agency's marketing plan. Agencies typically review their quota allocations and the levy amount on an annual basis. CFC is the exception, as more frequent quota levels requiring Council approval are set.



## THE EGG AGENCY



Egg Farmers of Canada (EFC), legally known as the Canadian Egg Marketing Agency, was established in 1972 under the *Farm Products Agencies Act* (FPAA) through an agreement of the federal government, provincial agricultural ministers and table egg producers in member provinces.

EFC is the national agency responsible for the orderly marketing of eggs in Canada. Producers either raise their own pullets until they are 18 to 19 weeks old, or purchase pullets of that age when they become laying hens. Farmers then keep them for about one year, during which time the hens lay eggs on a daily basis. These eggs, known as table eggs, are collected and sent to grading stations before being shipped to retail and food service markets. Because egg production is continuous, while market demand experiences fluctuations due to seasonal and other factors, EFC operates its Industrial Product Program (IPP) to sell table eggs

in excess of table demand. These are sold as table eggs in other provinces where supplies are short, or to processing companies as eggs for breaking. The latter are processed and used or sold to other companies for use as ingredients in foods such as bakery products, mayonnaise, frozen omelets, etc. EFC also administers a separate quota for eggs used in the production of vaccines in Canada. All eggs surplus to those needed for vaccine production are sent directly to egg-processing plants.

Member provinces and territories are British Columbia, Alberta, Northwest Territories, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador. Each member province and territory elects a representative to sit on the Agency's Board of Directors. The 16-member Board also has representatives of other egg industry stakeholders: one appointed by the Consumers' Association of Canada, one from the Canadian Hatchery Federation (CHF), and two from the Canadian Poultry and Egg Processors Council (CPEPC), one from the egg-grading sector and the other from the processing sector.

EFC's Board of Directors meets five to six times per year in order to plan and manage egg production and marketing, which includes setting the production quota and the levies requirements for each year to cover the costs of the Agency's activities. This levy is included in the price consumers pay for eggs. Council reviews and approves all proposed amendments to the quota regulations and levies order.



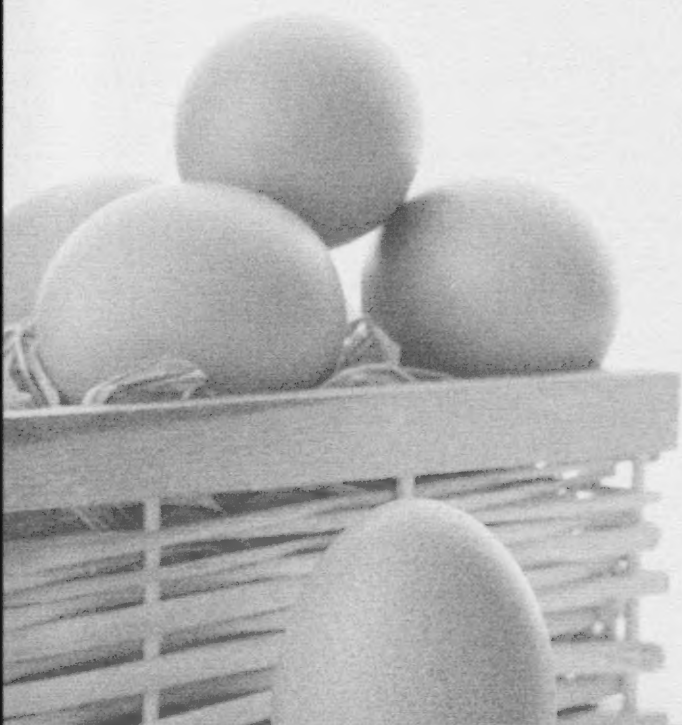
## COUNCIL'S WORK WITH EFC

### *Amendments to Levies Order*

At Council's December 2013 meeting, EFC presented its budget and financial projections for 2014, which showed that no further increase to the levy would be required to cover its expenses in 2014. The associated amendment to the levies order to maintain the levy at the 33.75 cents per dozen for 2014 was approved by Council at the meeting. Council was encouraged to learn that EFC had begun to work on three initiatives to provide more revenue for its IPP. Such initiatives are expected to help improve the viability of this program.

During the year, the Pooled Income Fund (PIF), which finances the IPP, was repeatedly under pressure, and EFC made transfers of \$2 million from each of the Risk Management Fund and the Research Fund in April 2013 in response to its

declining balances. This was followed in July by the EFC Board approving a one-time payment by each provincial board to generate \$3.9 million, required to maintain the PIF balance at its lower trigger point of \$20 million by the end of 2013. This decrease in the fund balance was due to higher purchase prices for eggs for the processing market as well as changes in breaker prices during the year. In addition, domestic supplies fell due to increased demand for table eggs. Over the year, the PIF balance was below the \$20.0 million threshold for 36 weeks, with a low of \$15.8 million. The situation rapidly reversed itself towards the end of the year and into 2014, as breaker prices increased sharply due to higher U.S. reference prices when demand for U.S. eggs surged in Mexico because of a major disease outbreak. EFC then proceeded to refund the provincial boards for their contribution to the \$3.9 million funding request. The breaker price rose to a high of \$1.00 per dozen in March 2014. The average for 2013 was 70.9 cents per dozen.



### *Amendments to Quota Regulations*

At its November 2012 meeting, the EFC Board had approved a quota allocation increase of 286,663 birds for 2013, but had decided to defer submission of this quota increase to Council for approval. At that meeting, EFC's Board of Directors had then agreed that its quota allocation for 2013 would remain at the same level as 2012. Council also examined and approved this amendment for 2013 at its meeting of December 2012.

During 2013–2014, the Farm Products Council of Canada (FPCC) Chairman and Council members met with representatives of EFC's Executive Committee, principally to review their progress in identifying and implementing changes necessary for improving the sustainability of the IPP. These frank, in-depth discussions highlighted the need to introduce more substantial changes than the initiatives that EFC had begun to work on. The major decline in the PIF balance during the year had underscored the urgency to set the IPP on a more solid and sustainable financial basis. Council continued to stress the need to consider more structural changes as part of the solution to meet the demands of both the table and processed egg markets on a more sustainable basis. The increase in revenue towards the end of 2013 and start of 2014 undoubtedly provided some respite. However, Council continued to encourage EFC to use this time to take charge and introduce the necessary changes before another crisis occurred.

In December 2013, Council considered EFC's proposed amendments to the *Canadian Egg Marketing Agency Quota Regulations, 1986* for the 2014 quota allocation. EFC had requested an

additional 582,624 birds, made up of 286,663 birds originally approved by the EFC Board in November 2012 (but not submitted to Council) and 295,961 birds approved by the EFC Board in November 2013. This brought the production quota to 600.1 million dozen eggs per year, an increase of 2.7% over the 2013 allocation.

In considering EFC's request, Council indicated that it expected the Agency to be more creative and aggressive in exploring all possible ways to reduce the costs of the IPP and the associated burden on table egg consumers. These could include farmer contributions, structural changes to quotas, including determination of the natural overrun, and control of buyback and other significant costs. Council took account of EFC's commitment to examine how changes in price spreads and the promotion of the consumption of medium table eggs would be beneficial to IPP cost management. Council also took account of EFC's ongoing assessment of how implementation of a service fee on birds placed from new allocations would reduce the need for levy increases. Additionally, Council welcomed EFC's agreement to confirm with provincial boards their actual need and utilisation of their Eggs for Processing quota so that only the required amount would be requested in future allocations.

Within this context, Council evaluated the risks of the increase in allocation requested by EFC for 2014 and arrived at its decision based on three facts: demand for table eggs had increased; imports of table eggs and breaker eggs had risen substantially; and no increase in levy was requested in 2014 to place the birds from this allocation.

After intensive deliberations on these issues, Council approved the quota increase request in the proposed amendment to the *Canadian Egg Marketing Agency Quota Regulations, 1986* for the period of December 29, 2013, to December 27, 2014.

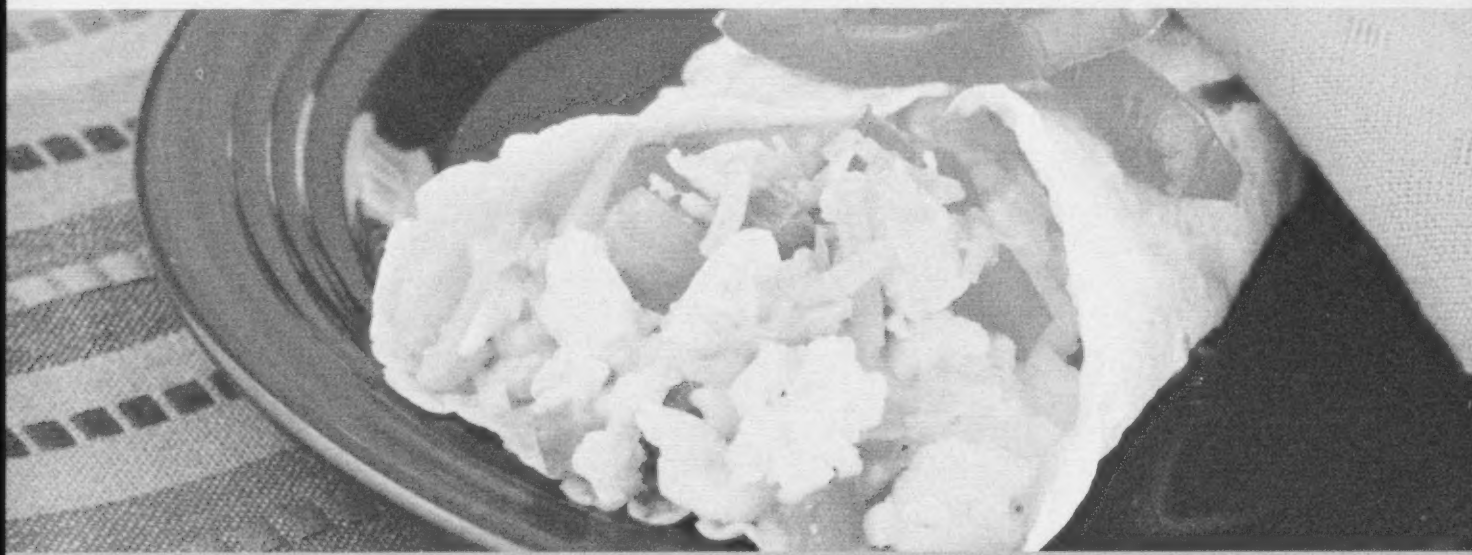
With regard to the quota for eggs required by the vaccine industry, included in the *Canadian Egg Marketing Agency Quota Regulations, 1986*, Council approved an amendment to the quota for eggs for vaccine production in 2014 at its September 2013 meeting. This amendment will maintain production at the same level as in 2012 and 2013, at 13.3 million dozen eggs.

#### *Council's Ongoing Priorities*

During the year, Council member John Griffin and FPCC staff attended all of EFC's Board of Directors meetings and participated in meetings and teleconferences of EFC's Cost of Production

(CoP) Committee in an observer role. In February 2014, the FPCC Chairman shared FPCC's CoP Monitoring Guidelines (developed by the FPCC in 2013) with the EFC Chair, for comments, with a view to having EFC implement the Guidelines at the earliest opportunity. This was timely given that EFC's CoP Committee had begun initial planning for its 2014 CoP Survey process during the last quarter of 2013. The Field Survey is planned for early in 2015, and its results will set the base for a new CoP, which is expected to be in place by early 2016.

Council members also met on several occasions with the EFC Chair and Executive Committee to discuss priority issues, especially related to Council's concerns about the urgency that EFC innovate on how best to supply the demand for eggs by processors and improve the financial sustainability of the IPP.







## THE TURKEY AGENCY



Turkey Farmers of Canada (TFC), legally known as the Canadian Turkey Marketing Agency, was established in 1974 under the FPAA through an agreement of the federal government, provincial agricultural ministers, and turkey producers in member provinces. TFC is the national agency responsible for the orderly production and marketing of turkeys and turkey meat in Canada. TFC celebrated its 40<sup>th</sup> anniversary in 2014.

Eight provinces are members of the Agency: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia. Each member province elects a representative to the Agency's Board of Directors. The 11-member Board also has three representatives from turkey industry stakeholders, two appointed by the CPEPC, representing processors, and one from the Further Poultry Processors Association of Canada (FPPAC), representing those companies that use turkey as an ingredient in their products. The Board of Directors generally meets four times per year in order to plan

and manage turkey production and marketing, which includes setting and adjusting the production quota as well as setting levy requirements for each year to cover the costs of the Agency's activities. This levy is included in the price consumers pay for turkey. Council reviews and approves the quota and levies amendments proposed by TFC.

### COUNCIL'S WORK WITH TFC

#### *Amendments to Levy Orders*

For the period of January 1, 2013, to March 31, 2014, TFC maintained the same national levy in place since 2003, of 1.6 cents per kilogram (live weight), following approval by Council members at its December 2012 meeting. This levy amount is added to the provincial levies set by each provincial board, which range from 1.40 to 3.25 cents per kilogram, to bring the total levy to between 3.00 to 4.85 cents per kilogram across the eight provinces.

In February 2014, TFC presented its 2014 budget and requested that Council consider its levies order beginning April 1, 2014, and ending on March 31, 2015. Again, no change was proposed to the national levy. Since none of the provincial levies had changed, the total levy remained the same. Council approved this amendment, in which only the dates were changed.

#### *Amendments to Quota Regulations*

In the turkey sector, the quota allocation covers production over the specified control period, which runs from approximately May 1 to April 30 over



two calendar years, so that production for the peak festive markets of Thanksgiving, Christmas and Easter can be planned in each 12-month cycle. TFC administers four quota allocation policies in partnership with the provincial boards:

1. National Commercial Allocation Policy: quotas for production of whole birds and birds for further processing;
2. Export Policy: quota for replacement of birds that have been exported as well as for production planned for export (processed, further processed or live turkey);
3. Multiplier Breeder Policy: quota for birds that are required to produce eggs and poults for the industry; and
4. Primary Breeder Policy: quota for birds that are marketed as primary breeding stock.

The TFC's Board of Directors agrees on an initial quota for each control period according to procedures set out in these policies. TFC then requests Council's approval of the global quota together with the individual quota for each category, allocated by province, before the start of each control period, through amendments to the *Canadian Turkey Marketing Quota Regulations, 1990*. As the production year advances, monitoring of stocks, production and sales may suggest that adjustments are needed to the initial quota levels. When adjustments are required, TFC's Board agrees on the appropriate amendments to the initial quota allocation and submits them to Council for approval. Once the control period has ended and full production data are available, a final audit is done to determine if any quota levels have been exceeded, so that adjustments may be made in the next control period and penalties charged for over-marketing, where warranted.



During 2013–2014, TFC administered the final month of its 2012–2013 control period (ending on April 27, 2013) and most of its 2013–2014 control period (April 28, 2013, to April 26, 2014). The 2013–2014 quota amendment had been approved by Council at its March 2013 meeting, for a total of 178.8 million kilograms (eviscerated weight), this total being distributed across all four quota categories and eight provinces.

TFC's Board reviewed the data recorded for the completed 2012–2013 control period at its summer meeting in June 2013 as well as the initial quota allocation in place for the 2013–2014 control period. It approved adjustments to the 2013–2014 quota allocation to increase the quota to 179.6 million kilograms, up 0.45% over the initial quota allocation previously approved for this control period. This change was principally due to small increases in the multiplier breeder and export allocations. However, these were offset by a small decrease in the further processing allocation and allowances for over-marketing.

Council members approved the associated amendment to the Quota Regulations for 2013–2014 brought forward by TFC on September 24, 2013, being satisfied that it met the requirements of the Agency's FPA as well as the Agency's By-Laws and that the volumes requested would meet market requirements for all categories of quotas and result in reasonable prices to consumers.

At its meeting of February 12–13, 2014, Council approved TFC's initial quota allocation for the next control period, beginning April 27, 2014, which projected a 1.0% increase, to 181.3 million kilograms, in the global quota. This amendment stemmed from an increase in the further processing and multiplier breeder allocations together with a decrease in export allocations. The whole bird and primary breeder allocations remained unchanged from the previous control period.

### *Council's Ongoing Priorities*

During the year, Council member Mike Pickard and FPCC staff attended all of TFC's Board of Directors meetings and teleconferences as observers. The FPCC Chairman was invited to speak at a number of TFC Board meetings, provincial board meetings and the TFC Annual General Meeting in March 2014. The annual meeting between Council members and the TFC Executive was moved to April 2014.

These meetings provided opportunities for the FPCC Chairman and Council members to engage with TFC and the turkey industry on Council's priority areas for the agency: improving transparency through expanded annual reporting; exploring the need to update the Federal-Provincial Agreement for Turkey; ensuring that a credible process exists so that it

can be demonstrated that turkey producers cover their cost of production and receive a reasonable return; and examining whether establishment of a promotion and research agency (under Part III of the FPAA) would be viable as a means of funding market promotion as well as research to increase turkey consumption in Canada.

The FPCC also followed developments on a number of issues affecting the turkey sector during the year, including consideration of changes to the commercial quota allocation policy; exploration of the possibility of increasing the supplies of turkey meat to further processors at a competitive price; and the evolution of the TFC's Turkey Market Advisory Committee to become a more technical group comprising staff from TFC, CPEPC and

FPPAC and an external consultant to provide the TFC Board with unbiased, consensual advice for quota allocation setting and management.







## THE CHICKEN AGENCY



Chicken Farmers of Canada (CFC) was established in 1978 under the FPAA through an agreement of the federal government, provincial agricultural ministers, and chicken producers in member provinces. In 2001, the Agency's Proclamation was amended, as was its FPA for Chicken and all associated statutory instruments to better reflect the way the Agency and provincial chicken boards operate.

CFC is the national agency responsible for the orderly marketing of chicken in Canada. Chicken farmers purchase day-old chicks that have been vaccinated to prevent illness from hatcheries. The chicks are placed in climate-controlled trucks and delivered to chicken farmers. After five or more weeks in the barns and depending on market requirement, the chickens are transported to the processing plants. At the processing plants, the chickens are eviscerated to be sold to the foodservice, restaurant or retail sectors or to a

processor for further processing (i.e., frozen dinners, chicken nuggets, meat pies, etc.).

In 2013, all provinces were members of the Agency and elected a representative to the Agency's Board of Directors. The Agency also has two representatives appointed by the CPEPC, one representative from the FPPAC and one from the Canadian Restaurant and Foodservices Association, now called Restaurants Canada.

The Board meets every eight weeks to discuss subjects such as quota allocation, on-farm food safety and animal welfare, as well as regulatory issues.

### *Alberta's Withdrawal from the FPA*

In 2007, Alberta formally requested that the allocation methodology take population into account. The absence of the comparative advantage of production (CAP), referred to as "differential growth" in the chicken allocation has been an ongoing issue for several provinces. Differential growth describes the situation when provinces are allocated different percentage rates of growth for domestic quota allocation. Because domestic allocation is essentially based on historical market shares, some provinces believe that their allocation is no longer reflective of their market needs or their chicken industry as a whole.

Since the Alberta request in 2007, CFC has attempted to develop numerous options to allow for differential growth in the allocation. These options



have all been rejected due to a lack of consensus among provinces.

In a November 22, 2012 letter to Agriculture and Agri-Food Minister Ritz, Alberta's Minister of Agriculture and Rural Development, Verlyn Olson, gave formal notice of Alberta's intent to withdraw from the Federal-Provincial Agreement (FPA). The reason cited was the industry's inability to reach an agreement on how to incorporate the concept of differential growth into its allocation process.

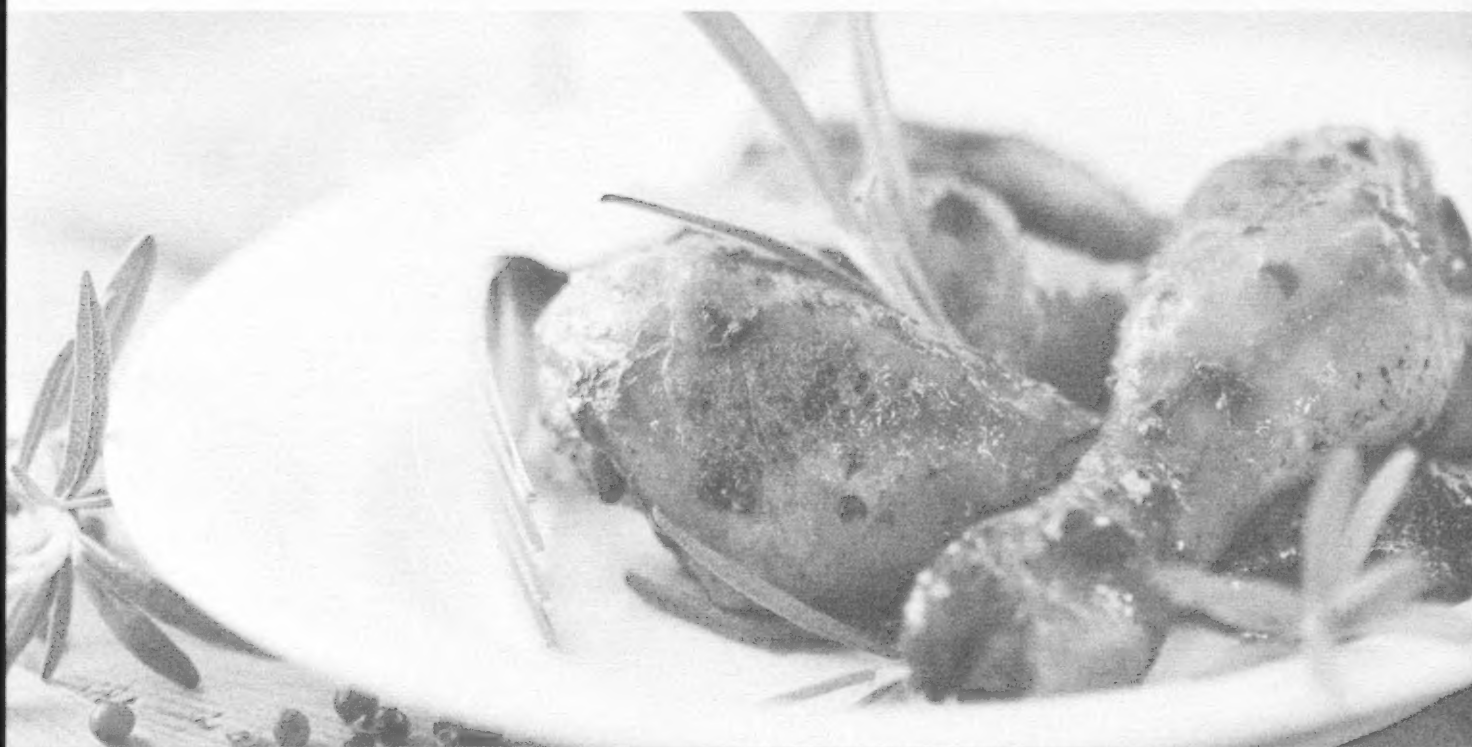
Although CFC and the provincial chicken boards developed alternative allocation methodologies, none of the methodologies garnered support from all 10 provincial chicken boards. Effective December 31, 2013, Alberta was no longer a member of CFC, as per section 6.(1) of the FPA for Chicken.

## COUNCIL'S WORK WITH CFC

### *Amendments to Levies Order*

National and provincial levies must be combined to ensure that provinces collect their levies on interprovincial and export marketing and that CFC collects the levy on intra-provincial marketing. Council's approval is therefore required before a provincial board may implement a change in its provincial levy. There were two separate provincial levy amendments in the 12 months from April 2013 to March 2014 (Ontario and Quebec) that were approved by Council's Levy Committee.

At Council's December 2013 meeting, Council members approved an amendment to the expiry date of the *Canadian Chicken Marketing Levies Order*, from March 31, 2014, to May 17, 2014. The national levy remained at 0.44 cents per kilogram of live weight. At Council's February 2014 meeting,



Council members approved an increase of 0.09 cents per kilogram of live weight, moving the levy to 0.53 cents per kilogram of live weight; the expiry date of the amendment is March 31, 2015. The last time CFC changed the value of its levy was in 1998, when the levy was increased to 0.44 cents per kilogram of live weight.

Council was satisfied that both the amendments met the requirements of the FPAA, the Agency's Proclamation, and the Agency's By-Laws.

In reviewing the Levies Order amendment, Council examined the Agency's 2014 budget and found that the proposed levy rate along with cash reserves held by CFC were sufficient to defray CFC's administrative and marketing expenses and costs.

### *Amendments to Quota Regulations*

CFC sets quota allocation for chicken production every eight weeks. This means that CFC makes six amendments to the *Canadian Chicken Marketing Quota Regulations* over the course of a year. CFC attempts to set allocations at least 13 weeks ahead of each of the eight allocation periods. For example, the allocation for period A-121 was set on September 4, 2013, although the start date of A-121 was December 1, 2013.

The total and provincial allocations set by CFC and approved by Council members during the 12 months from April 1, 2013, to March 31, 2014,

began with allocation period A-118 and ended with allocation period A-124, which was approved by Council at its March 2014 meeting.

### *CFC Allocations (in kg live weight)*

	Domestic Allocation	Market Development	Total
A-118 (June 16 to August 10, 2013)	212,976,293	9,294,691	222,270,984
A-119 (August 11 to October 5, 2013)	209,021,437	10,220,228	219,241,665
A-120 (October 6 to November 30, 2013)	205,664,359	9,484,396	215,148,755
A-121 (December 1, 2013 to January 25, 2014)	200,832,901	9,962,261	210,795,162
A-122 (January 26 to March 22, 2014)	210,173,878	10,339,014	220,512,892
A-123 (March 23 to May 17, 2014)	215,563,691	10,964,610	226,528,301
A-124 (May 18 to July 12, 2014)	213,761,836	9,982,076	223,743,912

After converting the allocation from live weight to eviscerated weight and comparing the production for the same weeks a year earlier (June 17, 2012, to July 13, 2013), assuming all the allocation was produced, we find that the domestic allocation for 2013–2014 increased by 1.2% and the market development allocation, by 15.6%, for a total allocation increase of 1.8%.

### *Temporary six-period chicken allocation agreement*

At their September 4, 2013, meeting, CFC Directors unanimously approved a temporary six-period chicken allocation agreement covering allocation periods A-121 to A-126 (December 1,

2013 to November 1, 2014). The temporary six-period chicken allocation agreement included a provision that the Agency, provincial boards and industry stakeholders would work with a mediator to arrive at a long-term differential growth model.

In addition, on September 10, 2013, Alberta Chicken Producers (ACP) and CFC signed a service agreement under which ACP agreed to respect the allocation decisions of CFC, pay the CFC levy, and attend and participate in CFC meetings. The service agreement contained an opt-out provision to allow ACP to opt out of the temporary six-period chicken allocation agreement at any time between January 31 and February 14, 2014.

The mediation process proved unsuccessful and was terminated at the end of January 2014. On February 14, 2014 Alberta opted out of the temporary six-period chicken allocation agreement, citing the lack of progress on resolving the allocation issue.

Even though all 10 provincial commodity boards and the four industry member organizations agreed to abide by the temporary six-period chicken allocation agreement, Council members still need to be satisfied that each allocation presented to them was required for the implementation of CFC's marketing plan.



The temporary six-period allocation agreement provides for the allocation of quota for the periods A-121 to A-126. The fixed market shares are determined using the following formula:

- Provincial market share (also known as pro rata) of the base for the A-121 to A-126 period: 60% of the allocation being distributed using this criterion.
- Economic growth: 10% of the allocation distributed using Gross Domestic Product.
- Consumption growth: 10% of the allocation will be distributed using population growth.
- Consumer prices: 10% of the allocation will be distributed using the Consumer Price Index.
- Production capacity: 10% of the allocation will be distributed using quota utilization.

Each of the criteria listed above (except for pro rata, which is market share) has been weighted using a standardized score based on market share of the base period A-121 to A-126. The Agency also incorporated "guard rails" into the allocation methodology so there would be no dramatic change in a province's market share due to the differential growth model. Four provinces were impacted by the "guard rails": Alberta, Saskatchewan, Nova Scotia, as well as Newfoundland and Labrador.

The model is to be applied to the entire allocation for each of the six periods, A-121 to A-126, when the national allocation is set above base. When the allocation is set at base or below base, the pro rata methodology that CFC has employed for the past several years will be used. Of the six allocations set under the agreement, only A-124 was set at base; the remaining five allocations were set above base.

### *Council's Ongoing Priorities*

#### Comparative Advantage of Production

Even though Alberta has withdrawn from the FPA, CFC and the provincial commodity boards (the nine member provinces and Alberta) have continued to work on finding a way of integrating the CAP into CFC's allocation methodology. Council and some provinces believe that recognition of differential growth is necessary to take into account changes in market conditions at the regional/provincial levels related to economic and population growth, per capita consumption differences, and market shifts by processors or further processors.

Prior to the six-period interim agreement, domestic allocation in all provinces increased or decreased on a historical market share basis. Once the interim agreement expires, unless a new allocation methodology is developed and accepted by all signatories to the FPA, the Agency will have two options for domestic allocation: extending the expiry date of the interim agreement or falling back on the pro-rata methodology.



### Specialty Chicken Production

At its November 2013 meeting, CFC approved the *Specialty Production Policy* with the stated objectives of providing “a national framework administered by CFC within which Provincial Commodity Boards can develop and manage their provincial specialty chicken programs to facilitate the growth of specialty chicken production and processing.” The purpose is also “to facilitate the planned production and marketing of specialty breeds of chicken which do not directly compete with mainstream chicken production and marketing.”

In the Policy, the Agency sets out a list of breeds (i.e., Silkie, Taiwanese chicken, etc.) eligible to be allocated under this Policy.

During the reporting period, Council Vice-Chairman Brent Montgomery and staff attended all of CFC's Board of Directors meetings as observers. The Chairman and Vice-Chairman also met on several occasions with the CFC Chair and Executive Committee to discuss priority issues, especially consideration of comparative advantage of production.

CFC indicated in its *2014–2018 Strategic Plan* that it would submit a proposal to establish a promotion and research agency (under Part III of the FPAA). The objective is to examine the viability of such an agency to fund promotion and research to further increase chicken consumption.





# THE HATCHING EGG AGENCY



Canadian Hatching Egg Producers (CHEP) was established in 1986 under the FPAA through an agreement among the federal government, provincial agricultural ministers, and broiler hatching egg producers in member provinces.

CHEP is the national agency responsible for the orderly marketing of broiler hatching eggs in Canada. Fertilized broiler hatching eggs are sent to hatcheries where they are placed in incubators to hatch 21 days later as broiler chicks. The hatcheries sell these chicks to chicken farmers, who grow them into chickens for human consumption.

Provinces that are party to the FPA for Broiler Hatching Eggs are British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, all of which elect a representative to sit on the Agency's Board of Directors. Two representatives are also appointed by the CHF.

## *Admittance of Alberta and Saskatchewan to the FPA*

On June 6, 2013, the Governor in Council proclaimed the amendments to the *Canadian Hatching Egg Producers Proclamation*, to include Alberta and Saskatchewan as member provinces.

With the admittance of Alberta and Saskatchewan, CHF was allowed under the Agency's Proclamation to appoint another representative to the Board of Directors, as the total number of provincial commodity board members was greater than five. Both CHF representatives must be residents of Canada, with one representing the region west of Manitoba and the other, the region east of Ontario.

## COUNCIL'S WORK WITH CHEP

### *Amendments to CHEP's Statutory Instruments*

Along with CHEP's Proclamation, the statutory instruments stemming from the inclusion of Alberta and Saskatchewan in the Proclamation also needed to be amended. The statutory instruments in question are the following:

- *Canadian Hatching Egg Producers Quota Regulations*
- *Canadian Broiler Hatching Egg Marketing Levies Order*
- *Canadian Broiler Hatching Egg (Interprovincial) Pricing Regulations*

- *Canadian Broiler Hatching Egg and Chick Orderly Marketing Regulations*
- *Canadian Broiler Hatching Egg and Chick Licensing Regulations*

The proposed amendments for each of these instruments were approved at Council's December 2013 meeting.

#### *Amendments to Levies Order*

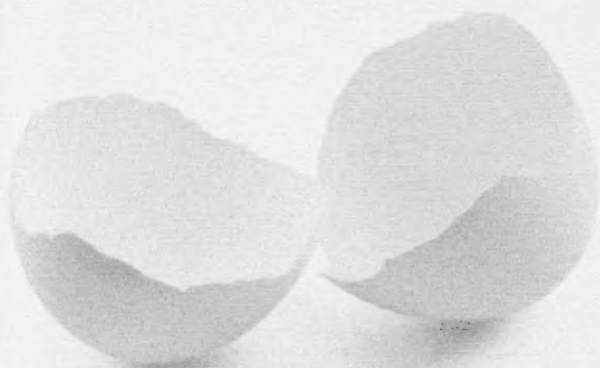
At Council's May 2013 meeting, Council approved an amendment to extend the *Canadian Broiler Hatching Egg Marketing Levies Order* of \$0.0029 per broiler hatching egg to make the order effective from June 24, 2013, to June 22, 2014. Although the national levy did not change, the provincial portion of the province's total levy was increased in

two member provinces (Manitoba and Quebec) and decreased in two (British Columbia and Ontario). The levy for marketing broiler hatching eggs, from unregulated to regulated areas, increased to \$0.010955 per broiler hatching egg.

At its December 2013 meeting, with the inclusion of Alberta and Saskatchewan in CHEP's Levies Order, Council approved the levy rates for Alberta and Saskatchewan proposed in the Levies Order. The levy for marketing broiler hatching eggs, from unregulated to regulated areas, increased to \$0.01112 per broiler hatching egg.

In Council's review of the amendments to the Levies Order, its members were satisfied that the amendment met the requirements of the *Canadian Hatching Egg Producers Proclamation* and the Agency's By-Laws.





### *Amendments to Quota Regulations*

Within the broiler hatching egg market, supply comes from two sources: domestic production and imports from the United States. Under a 1990 bilateral agreement pursuant to Article XXII of the 1947 *General Agreement on Tariffs and Trade* (GATT), United States broiler hatching egg producers are granted access to the Canadian market for amounts equal to 21.1% of the anticipated domestic production for the current year. This access is split into separate commitments for broiler hatching eggs and chicks, of 17.4% and 3.7%, respectively.

Domestic production levels are established by quota allocations. At its July Board meeting, the Agency sets two allocations per year: the preliminary allocation for the coming year and the final allocation for the current year. The preliminary allocation gives an indication of the total production of hatching eggs needed for the chicken sector in the coming year (including a breakdown by provinces). The final allocation reconciles the hatching egg production of the current period

and determines any overproduction penalties for provinces.

At its December 2013 meeting, Council reviewed the 2013 final and 2014 preliminary allocations. Council members found that both amendments satisfied the requirements of the Agency's Proclamation and the Agency's By-Laws. Council approved the 2013 final allocation, set at 618,149,147 broiler hatching eggs, and the 2014 preliminary allocation, at 628,767,028 broiler hatching eggs.

### *Council's Ongoing Priorities*

In February 2014, Quebec submitted a letter in which it requested a review of Schedule B of the FPA. In March 2014, Alberta submitted a similar request. Schedule B outlines the allocation methodology employed by the Agency in allotting quota to provinces. The Agency has hired a third party to review the allocation process and all the factors considered when CHEP sets allocation. A report was produced and the matter is expected to be discussed at CHEP's July 2014 meeting.

In recent years, Quebec hatcheries shipped approximately 9.0 to 10.0 million broiler chicks annually to Ontario. This is a significant increase from the 2.0 million broiler chicks that Quebec hatcheries shipped to Ontario in 1997. Ontario has expressed a concern about the large volume of chicks from outside the province negatively impacting its broiler hatching egg producers.



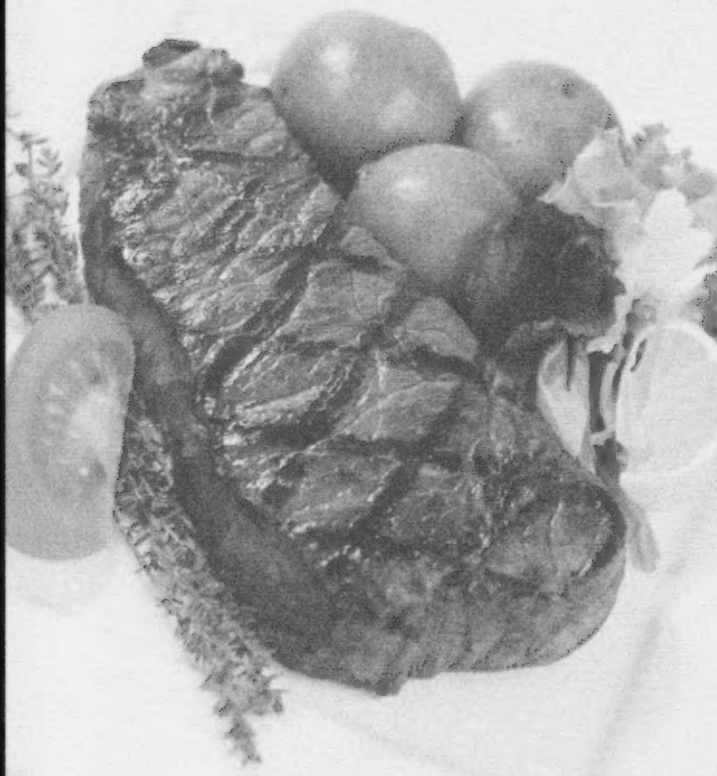
CHEP and CHF have agreed to investigate the issue and will be meeting with the Quebec and Ontario provincial boards as well as hatchery representatives. A progress report is expected at CHEP's July 2014 meeting.

During the reporting period, Council member Tim O'Connor and staff attended all of CHEP's Board of Directors meetings as observers.





## THE BEEF AGENCY



The Canadian Beef Cattle Research Market Development and Promotion Agency (Beef Agency) was established in 2002 under Part III of the FPAA, when its Proclamation was registered. In July 2011, the Beef Agency merged with the Canadian Beef Export Federation (CBEF) and the Beef Information Centre (BIC) and changed its name to Canada Beef.

The Agency's Board of Directors is composed of cattle producers, importers, beef processors and other downstream stakeholders.

Canada Beef has authority to promote the marketing and production of beef cattle, beef and beef products for the purposes of interprovincial, export and import trade and to conduct and promote research activities related to beef and beef products. Every person who sells beef cattle in interprovincial trade must pay the Agency a levy of \$1.00 per head of beef cattle sold. Each importer must pay the Agency \$1.00 per head of imported beef cattle or the equivalent of \$1.00 per head for imported beef and imported beef products.

### COUNCIL'S WORK WITH CANADA BEEF

#### *Amendments to Levies Order*

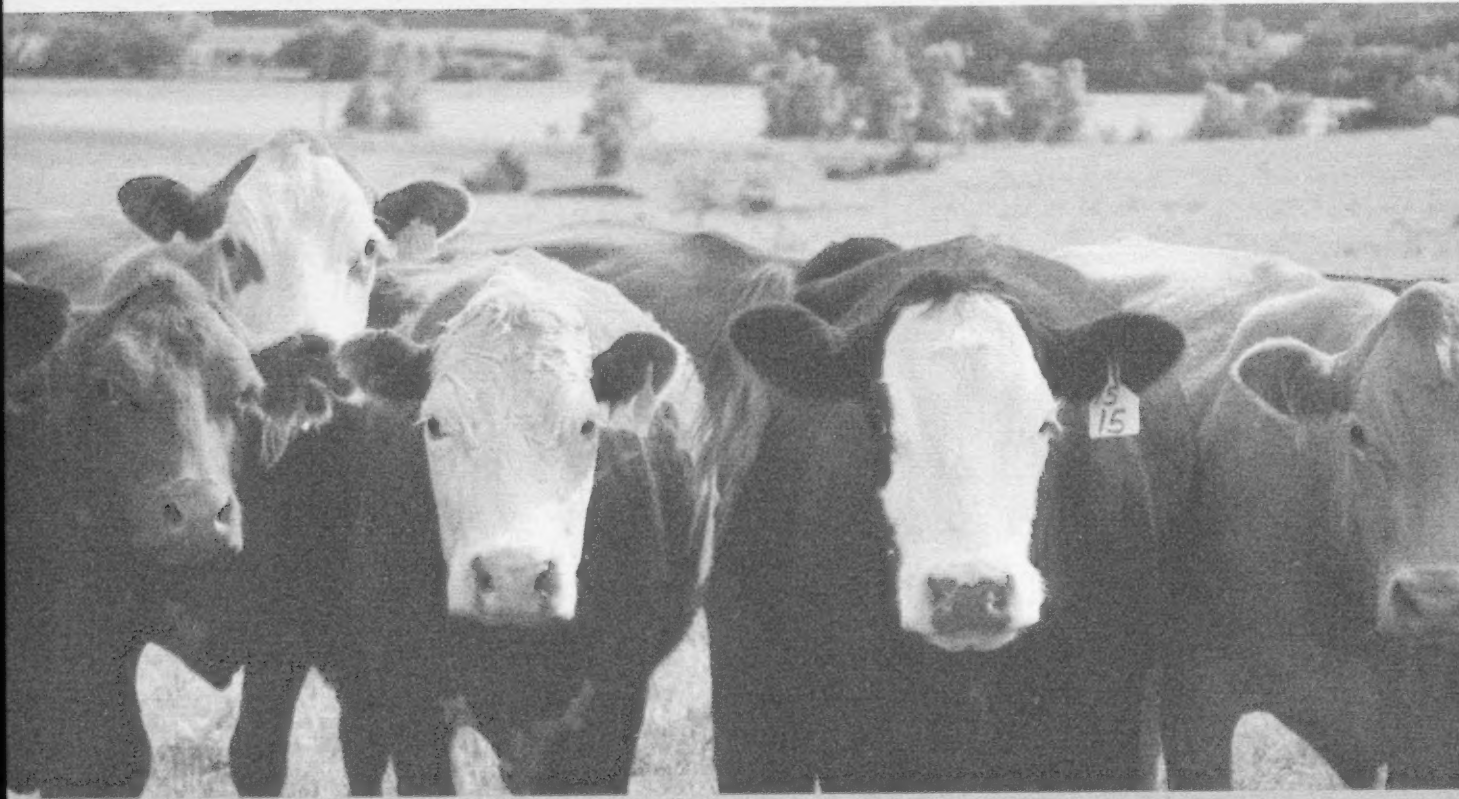
At its May 2013 meeting, Council approved amendments to the *Beef Cattle Research, Market Development and Promotion Levies Order* that incorporated a levy on imported beef cattle and imported beef and beef products. The value of the levy is identical to the interprovincial levy of \$1.00 per head and \$1.00 per head equivalent on imported cattle, beef and beef products. Conversion factors for each customs tariff line of beef and beef products are also applied. These conversion factors are similar to those used by the Cattlemen's Beef Promotion and Research Board in the United States.

Minister Ritz announced the implementation of the import levy on July 30, 2013. The chairs of FPCC and Canada Beef were in attendance.

National and provincial levies must be combined to ensure that provinces collect their levies on interprovincial and export marketing and that Canada Beef collects its levy on intra-provincial marketing. Council's approval is therefore required before a provincial board may implement a change in either the national or provincial levy. One provincial levy amendment was approved in the 12 months from April 2013 to March 2014. In October 2013, Nova Scotia increased its levy to \$3.00 per head.

### *Council's Ongoing Priorities*

During the year, FPCC staff attended a number of Agency meetings as observers. The Chairman and FPCC staff also met the Agency's Chair and Governance Committee Chair and staff to discuss amendments to the Agency's Proclamation to reflect the new Board's structure after the Canada Beef merged with the BIC and CBEF in 2011.





## Other FPCC Activities



### Request for Agency Status Under Part II

In 2012, Council received a proposal from the Pullet Growers of Canada for the establishment of a national marketing agency for pullets under Part II of the *Farm Products Agencies Act* (FPAA). A panel to enquire into the merits of this proposal was established and the public hearing process began.

The public hearing process continued in 2013 and the panel carried out the inquiry by holding two public hearings: one in Ottawa on April 23 and the other in Winnipeg on May 22. There was considerable interest in the proposal with over 80 submissions received and 18 presentations made at the hearings. All written submissions as well as complete transcripts of the hearings were made available to the public on the Farm Products Council of Canada's (FPCC) website.

The panel prepared its report and made a recommendation, which were presented and adopted by Council at its meeting of December 11, 2013. In early 2014, Council prepared its recommendation for the Minister's consideration, as provided for in paragraph 7(1)(a) of the FPAA.

### Promotion and Research Agencies

#### *Regulatory Framework*

In 1993, the FPAA was amended to include Part III, which states that the Governor in Council may, by proclamation, establish an agency for the promotion and research of a farm product where it is satisfied that a majority of producers and importers, when applicable, support such action. A proclamation is a federal regulation that outlines the powers granted to an agency and how the agency is to be constituted (i.e., membership, means of appointment, location of the agency's head office, etc.).

#### *The FPAA and Powers of Promotion and Research Agencies*

A promotion and research agency (PRA) created under the FPAA has the authority to collect a levy on national production and on imports of the regulated product when conditions of national treatment are met. A PRA has no authority to regulate production, but it can develop a promotion and research plan funded by the collection of the levy described above.

As set out in section 41 of the FPAA, the object of an agency is to promote a strong, efficient and competitive industry for the regulated product. This may be accomplished by promoting its sale and consumption, and by conducting research activities.



In doing so, the agency must have due regard for the interests of producers, consumers and, where applicable, importers of the regulated product.

In pursuit of these goals, agencies are vested through their proclamations with the powers set out in section 42 of the FPAA. Here are a few examples of these powers:

- to implement a promotion and research plan;
- to purchase, lease or otherwise acquire and hold a mortgage of a property;
- to invest any money in its possession in securities guaranteed by the Government of Canada; and
- to collect levies on interprovincial, export and import trade.

As with marketing agencies established under Part II of the FPAA, a promotion and research agency has an obligation under section 27 to conduct its operations on a self-sustaining financial basis. Section 29 of the FPAA specifies that the accounts and financial transactions of each agency are to be audited annually by an auditor appointed by the Governor in Council and a report provided to the agency, Council and the Minister of Agriculture and Agri-Food Canada. Each agency is also required, under section 30 of the FPAA, to submit an annual report to Council and the Minister.

Each time an agency requests an amendment to a levies order, Council members must review the rationale for the amendment, market and financial statistics, as well as the agency's budget.



In approving the amendment to the agency's levies order, Council must be satisfied that the amendment is in accordance with and necessary for the implementation of the agency's promotion and research plan.

In 2013, FPCC was active in outlining the value of a PRA to producer groups and industry associations. These efforts brought several producer groups to realize the potential of such an organization. Notably, producer organizations, such as those representing pork, potato and chicken sectors, have voiced their interest in setting up PRAs. These producer groups are at different stages of the PRA establishment process. Some have started to consult their members to assess grassroots support; others have hired a consultant to conduct feasibility studies. Still others that are more advanced are actively preparing submissions to the FPCC.

### Request for Agency Status Under Part III

#### *Raspberry PRA*

In the fall of 2013, the FPCC held two sittings to gauge the level of support and assess the proposal of the *Raspberry Industry Development Council* in B.C. to establish a Canadian raspberry PRA. During the public hearing process, 26 submissions were received and 20 interveners made presentations at the Abbotsford and Ottawa sittings. All written submissions received and complete transcripts of the hearings are available to the public on the FPCC's website. The public hearing process is coming to an end, and the report of panel chair Tim O'Connor and panel member Mike Pickard is expected in 2014.

#### *Strawberry PRA*

The same panel was directed to assess the merits of establishing a Canadian strawberry PRA, as per the application of the Association des producteurs de fraises et framboises du Québec received on December 20, 2013. Public hearings were held in Vancouver and Montreal in April 2014. All written submissions received and complete transcripts of the hearings are available to the public on the FPCC's website. The panel is expected to deliver its report to Council later in 2014.

### Regulatory Affairs

The Farm Products Council of Canada's (FPCC) Regulatory Affairs team provides technical advice to senior management and staff, Council members, national agencies, agri-food supervisory agencies and provincial commodity boards in relation to the administration of the *Farm Products Agencies Act* (FPAA) and the *Agricultural Products Marketing Act* (APMA). The team also acts as a liaison between these offices and various central agencies such as the Department of Justice, the Treasury Board of Canada Secretariat and the Privy Council Office.

The integrity of the regulatory functions is a matter of public interest. Improper performance of regulatory functions could undermine the overall process and create unwarranted delays. The FPCC also facilitates business processes and responds to and provides technical input for the Standing Joint Committee for the Scrutiny of Regulations.

The Chairman and his team of senior executives keep the Office of the Minister of Agriculture and Agri-Food and its Portfolio partners informed on all regulatory matters related to the administration of the FPAA and the APMA.

Canada's regulatory system has long been recognized internationally as a mature, well-functioning system. The *2014–2016 Forward Regulatory Plan* sets forth the Government of Canada's positive intentions for ensuring greater transparency and predictability with respect to regulations. To this end, the Plan is updated as the FPCC's operating environment changes over time. Details about these updates are now posted on the FPCC's website, under Acts and Regulations.

It is also important to note that the APMA administrative review is progressing as planned, with the cooperation and support of 84 provincial agricultural producer agencies.

## Communications

Over the course of the year, FPCC maintained effective communication activities and approaches as identified in its communications and action plans, enabling the FPCC to manage its business and relationships with all stakeholders.





Five issues of the *FOCUS Newsletter* were produced and distributed. The newsletter updates our stakeholders with consistent decision reporting and FPCC business content, news, announcements and publications by federal departments and other organizations. It is sent out by e-mail and posted on the FPCC website.

At the same time, FPCC was actively involved with two promotion and research agency proposals and a request for agency status under Part II of the FPA. A new section on public hearings was added to the FPCC website and became an essential communication tool for participants to file submissions, replies and requests to appear. It also provides access to all pertinent materials and related documents.

In addition, as part of the public hearing processes, several notices were published in various newspapers across the country to inform stakeholders of these events. All public hearings were broadcast live in both official languages via webcasts, to ensure accessibility.

In addition, FPCC completed its work on the upgrade of the new Web Standards for the Government of Canada. These standards, which apply to all institutions listed in schedules I, I.1 and II of the *Financial Administration Act*, replaced the Common Look and Feel 2.0 Standards for the Government of Canada Internet. The next Internet initiative is the Standard on Optimizing Websites and Applications for Mobile Devices. This standard will ensure that Government of Canada online information and services are optimized for all mobile devices. It came into effect on April 1, 2013, and

will be implemented by April 1, 2016. The Web Standards demonstrate the Government of Canada's ongoing commitment to delivering websites that are more accessible, usable and informative.

## Studies and Analysis

### *Agencies' Annual Reporting Practices*

Following a review of agencies' annual reporting practices, the FPCC translated its findings into a set of best practices and recommendations. The objective of this initiative is to supplement information currently provided by national agencies to Parliament, provide the public with a general overview of supply management system operations and oversight, and demonstrate that the system is administered in a reasonable manner.

### *Historical Review of the Industrial Product Program*

In 2013–2014, the FPCC conducted a comprehensive historical review of the Industrial Product Program for eggs. This review was aimed at understanding how and why the program was created and how it has changed since its inception. The results of this review will help Council members better support Egg Farmers of Canada in finding ways to supply the processed egg product market in a financially sustainable manner.

### *Comparative Advantage of Production Model*

Following the development of its *Comparative Advantage of Production Guidelines*, the FPCC converted those guidelines into a mathematical model to demonstrate how comparative advantage could be quantified, using a dashboard approach that allowed for testing of various hypotheses and scenarios. The model was explained in detail to



stakeholders in the chicken sector and provincial supervisory boards. Application of the Guidelines by Chicken Farmers of Canada (CFC) and use of the model and dashboard can ensure that production growth in the chicken sector reflects the comparative advantage of each province, in line with the requirements of the FPAA. CFC could also suggest arrangements under which the Province of Alberta could see fit to rejoin the Chicken Federal-Provincial Agreement.

#### *Cost of Production Review and Guidelines*

Pricing, which is based on cost of production (CoP), is one of the three pillars of supply management.

Proper cost of production practices serve to ensure that, on average in any one year, producers are able to cover their costs and realize a reasonable return.

In 2013, following its 2012 historical review of CoP monitoring, the FPCC conducted a review of CoP methodologies and best practices in agriculture. The review was then used to create a set of guidelines that will serve to frame Council's monitoring of agencies' work in conducting CoP surveys or the development of CoP models. As a result, Council will have better access to the information it needs to be satisfied that the prices received by farmers are commensurate with those of an efficient producer of each of the commodities overseen by the FPCC.



## Glossary

AAFC	Agriculture and Agri-Food Canada
ACP	Alberta Chicken Producers
APMA	<i>Agricultural Products Marketing Act</i>
B.C.	British Columbia
BIC	Beef Information Centre
CAP	Comparative Advantage of Production
CBEF	Canadian Beef Export Federation
CFC	Chicken Farmers of Canada
CHEP	Canadian Hatching Egg Producers
CHF	Canadian Hatchery Federation
CoP	Cost of Production
CPEPC	Canadian Poultry and Egg Processors Council
EFC	Egg Farmers of Canada
FPA	Federal-Provincial Agreement
FPAА	<i>Farm Products Agencies Act</i>
FPCC	Farm Products Council of Canada
FPPAC	Further Poultry Processors Association of Canada
GATT	<i>General Agreement on Tariffs and Trade</i>
GIC	Governor in Council
IPP	Industrial Product Program
PRA	Promotion and Research Agency
TFC	Turkey Farmers of Canada